


AR10

# ANNUAL REPORT



Yarns Limited

1980



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# RIVERSIDE YARNS LIMITED

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## Directors

J. BOECKH  
D.M. DEACON  
S.E. EDWARDS, Q.C.  
A. GOLD  
WM. W. LAIRD, Q.C.  
E. LAWRENCE  
B.J. PATERAS, Q.C.  
J.G. WEIR

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## Officers

WM. W. LAIRD, Q.C.  
Chairman  
E. LAWRENCE  
President  
S.E. EDWARDS, Q.C.  
Secretary  
M.A.N. QUIGLEY  
General Manager  
O. LANGLAIS, JR.  
Treasurer-Controller

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## Head Office and Plant

Cornwall, Ontario

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## Banker

THE TORONTO DOMINION BANK

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## Solicitors

FRASER & BEATTY

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## Transfer Agents and Registrars

NATIONAL TRUST COMPANY  
Toronto

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## Auditors

TOUCHE ROSS & CO.  
Chartered Accountants  
Cornwall, Ontario

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## Annual Meeting

April 23rd, 1981 - 11:00 a.m.  
at the office of Messrs. Fraser & Beatty,  
on the Forty-first Floor,  
First Canadian Place,  
Toronto, Ontario.

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# **RIVERSIDE YARNS LIMITED**

## **REPORT TO THE SHAREHOLDERS**

Operating levels improved slowly through the year such that, by year end, most machines were operational. Domestic shipments were approximately at the same levels as in 1979 with export primarily responsible for the modest overall improvement in total volume. A continuing surplus of world and North American textured polyester filament capacity remains the main influence in determining selling prices which continue to be depressed.

While Riverside Yarns Limited continued to benefit during 1980 from measures taken by the Canadian Government to bring more stability to the textile industry, the future is of concern. Existing bilateral restraint agreements are due to expire December 31, 1981. Your Company has made representation to the Federal Government that these agreements and quotas be extended as per the recommendations of the Textile and Clothing Board report on this issue.

As of year end, total employment in the Cornwall plant had risen to slightly over 350 personnel. On the job safety performance continued at a high level and at the annual Industrial Accident Prevention Association meeting in April, the plant was awarded recognition for most improved performance over the previous year in its class.

During the coming year, the main thrust of effort will continue to involve broadening of product end-use and improving quality. These avenues are critical to an improved overall volume base for the operation.

On behalf of the Board of Directors.

E. Lawrence,  
President.

# RIVERSIDE YARNS LIMITED

(Incorporated under the laws of Ontario)

## BALANCE SHEET

	January 2, 1981	December 31, 1979
<b><u>ASSETS</u></b>		
Current		
Cash.....	\$ 1,190,206	\$ 1,520,469
Accounts receivable.....	198,468	143,661
Machinery parts and packaging supplies.....	504,693	424,546
Prepaid expenses.....	1,585	1,525
	1,894,952	2,090,201
Fixed assets - Note 2.....	7,048,355	9,004,889
Deferred financing charges.....	8,327	28,179
Other.....	46,162	88,529
	<u>\$ 8,997,796</u>	<u>\$11,211,798</u>
<b><u>LIABILITIES</u></b>		
Current		
Accounts payable and accrued liabilities.....	\$ 675,846	\$ 965,113
Dividends payable.....	—	30,000
Current portion of long term debt - Note 3.....	2,535,500	3,037,800
	3,211,346	4,032,913
Long term debt - Note 3 .....	4,633,306	6,667,728
Deferred income taxes.....	105,000	—
	<u>7,949,652</u>	<u>10,700,641</u>
<b><u>SHAREHOLDERS' EQUITY</u></b>		
Capital stock - Note 4.....	725,500	358,000
Retained earnings.....	322,644	153,157
	1,048,144	511,157
	<u>\$ 8,997,796</u>	<u>\$11,211,798</u>

On behalf of the Board:

E. LAWRENCE, Director  
WM. W. LAIRD, Q.C. Director



# RIVERSIDE YARNS LIMITED

## STATEMENT OF INCOME

	Fifty-three week period ended January 2, 1981	Year ended December 31, 1979
Revenues .....	\$13,378,917	\$ 9,433,231
Processing and administrative expenses .....	8,973,710	6,548,522
Income before undernoted items .....	4,405,207	2,884,709
Depreciation .....	2,597,101	1,669,668
Interest on long term debt .....	1,213,767	817,413
Amortization of deferred financing charges .....	19,852	24,599
	<u>3,830,720</u>	<u>2,511,680</u>
Income before income taxes and extraordinary item .....	574,487	373,029
Income taxes - deferred .....	235,000	144,000
Income before extraordinary item .....	339,487	229,029
Extraordinary item - Note 5 .....	130,000	144,000
Net income .....	<u>\$ 469,487</u>	<u>\$ 373,029</u>
Earnings per common share - Note 9		
Income before extraordinary item .....	<u>\$ 1.39</u>	<u>\$ .99</u>
Net income .....	<u>\$ 2.04</u>	<u>\$ 1.84</u>

## STATEMENT OF RETAINED EARNINGS

Retained earnings (deficit), beginning of period .....	\$ 153,157	\$ (189,872)
Net income .....	469,487	373,029
	622,644	183,157
Dividends .....	300,000	30,000
Retained earnings, end of period .....	<u>\$ 322,644</u>	<u>\$ 153,157</u>

# RIVERSIDE YARNS LIMITED

## STATEMENT OF CHANGES IN FINANCIAL POSITION

	Fifty-three week period ended January 2, 1981	Year ended December 31, 1979
Working capital derived from		
Operations		
Income before extraordinary item.....	\$ 339,487	\$ 229,029
Add items not requiring the use of working capital		
Depreciation.....	2,597,101	1,669,668
Amortization.....	19,852	24,599
Deferred income taxes.....	235,000	144,000
	<u>3,191,440</u>	<u>2,067,296</u>
Issue of capital stock.....	367,500	—
Proceeds from long term debt.....	685,000	4,861,028
Decrease in other assets - net.....	42,367	4,167
	<u>4,286,307</u>	<u>6,932,491</u>
Working capital applied to		
Dividends.....	300,000	30,000
Additions to fixed assets.....	640,567	4,805,275
Reduction of long term debt including current portion.....	2,719,422	3,163,500
	<u>3,659,989</u>	<u>7,998,775</u>
(Decrease) increase in working capital deficiency.....	(626,318)	1,066,284
Working capital deficiency, beginning of period.....	1,942,712	876,428
Working capital deficiency, end of period.....	<u>\$1,316,394</u>	<u>\$1,942,712</u>



# RIVERSIDE YARNS LIMITED

## NOTES TO FINANCIAL STATEMENTS

JANUARY 2, 1981

### 1. Summary of accounting policies

#### a) Depreciation

The net book value of fixed assets on hand at December 31, 1976 and the cost of subsequent additions are depreciated on the straight line basis at 20% per year.

#### b) Deferred financing charges

Financing charges are amortized over the term of the related debt.

#### c) Investment tax credit

The investment tax credit is recognized in the year it is claimed for tax purposes as a reduction of the current tax provision.

#### d) Leases

All leases entered into prior to January 1, 1979 are accounted for as operating leases.

#### e) Earnings per share

Earnings per share are calculated on the weighted average number of shares outstanding during the year.

### 2. Fixed assets

	January 2, 1981			December 31, 1979
	Cost	Accumulated depreciation	Net book value	Net book value
Machinery and equipment. ....	\$13,583,576	\$ 6,658,131	\$ 6,925,445	\$ 8,888,314
Leasehold improvements. ....	192,724	69,814	122,910	116,575
	<u>\$13,776,300</u>	<u>\$ 6,727,945</u>	<u>\$ 7,048,355</u>	<u>\$ 9,004,889</u>

### 3. Long term debt

	January 2, 1981	December 31, 1979
Term bank loans, at bank prime rate plus 1/2%, through to December 31, 1981 and then, prime plus 3/4%, each payable in sixty monthly instalments. ....	\$ 6,891,828	\$ 8,555,528
8% debenture, due on December 15, 1982 with blended monthly principal and interest payments of \$12,500.....	276,978	400,000
10-1/2% redeemable subordinated debentures, due October 31, 1980.....	—	750,000
	<u>7,168,806</u>	<u>9,705,528</u>
Less current portion.....	<u>2,535,500</u>	<u>3,037,800</u>
	<u>\$ 4,633,306</u>	<u>\$ 6,667,728</u>



a) The term bank loans and the 8% debenture are secured by the Company's fixed assets and by a floating charge on the Company's undertaking and its other property and assets, both present and future, subject to the right of the Company to deal with its property and assets in the ordinary course of business.

b) The long term debt is repayable as follows:

1981.....	\$ 2,535,500
1982.....	2,266,500
1983.....	1,333,000
1984.....	986,000
1985.....	47,806
	<u>\$ 7,168,806</u>

#### 4. Capital stock

a) The authorized capital is:

120,000 class A \$.50 cumulative convertible voting shares without par value  
1,500,000 common shares without par value

The issued capital is:

120,000 class A shares  
353,750 common shares (1979 - 170,000)

b) Share purchase warrants issued with the 10-1/2% redeemable subordinated debentures entitling the holders to purchase common shares at a price of \$2.00 per common share were exercised during the period for 183,750 shares. The balance lapsed on October 31, 1980.

c) The class A shares are convertible into common shares on the basis of one common share for each two class A shares converted (see Note 9).

d) According to the terms of the 8% debenture, the Company may not, without prior written approval:

i) Declare or pay any dividends on or make any distribution in respect of its common shares.

ii) Make any change in its authorized or issued capital stock except in the manner outlined in c above.

e) Dividends on class A shares were in arrears at January 2, 1981 in the amount of \$1.50 per share totalling \$180,000. Subsequent to the year end, these dividends were paid as outlined in Note 9.

#### 5. Extraordinary item

The extraordinary item of \$130,000 (1979 - \$144,000) results from the income tax reduction realized by utilizing an excess of undepreciated capital cost over net book value of fixed assets of approximately \$335,000. The tax effect had not been recorded in the accounts in prior years.

#### 6. DuPont agreement

The Company has entered into an agreement with DuPont Canada Inc. which commits the Company's processing facilities exclusively to DuPont until mid-1982, with options by DuPont to extend the agreement. DuPont may terminate the agreement under certain specified circumstances. The Company has no right of termination.

The Company has agreed to use a specific portion of the cash received under this agreement for repayment of fixed asset financing.

#### 7. Commitments

The Company rents its land and buildings under a thirty year lease effective September 1, 1975 at an annual rent of approximately \$1,150,000. The rent is adjusted to reflect the changes in the lessor's financing arrangements. A director of the Company is the beneficial owner of 32.1% of the lessor company's outstanding equity shares.

This lease qualifies as a capital lease. If the Company accounted for this lease as a capital lease rather than an operating lease the following changes in the financial statements would occur.



- i) Assets under capital lease would be shown on the balance sheet in the amount of \$7,722,000 (1979 - \$7,722,000) less accumulated amortization of \$816,490 (1979 - \$534,111).
- ii) Obligations under capital lease in the amount of \$7,635,228 (1979 - \$7,666,033) would be included in liabilities.
- iii) Although capitalization of the lease would result in an increased charge to operations of approximately \$250,000 (1979 - \$135,000), as a result of the agreement referred to in Note 6, net income for the year would not be affected.

8. Remuneration of directors and officers

Remuneration of directors and senior officers amounted to \$226,313 (1979 - \$214,099).

9. Subsequent events

On January 30, 1981 the class A and common shareholders approved the subdivision and reclassification of the 120,000 class A shares into 240,000 common shares. Articles of amendment giving effect to this change were filed with the Ontario Minister of Consumer and Commercial Relations on February 2, 1981.

Prior to filing the articles of amendment, a dividend was paid on class A shares, thereby eliminating the dividend arrears on these shares at January 2, 1981.

Pro-forma earnings per share, calculated as though the subdivision and reclassification had taken place at January 1, 1980 are:

Income before extraordinary item.....	\$0.77
Net income.....	\$1.07

### AUDITORS' REPORT

The Shareholders  
Riverside Yarns Limited

We have examined the balance sheet of Riverside Yarns Limited as at January 2, 1981 and the statements of income, retained earnings and changes in financial position for the fifty-three week period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at January 2, 1981 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cornwall, Ontario  
March 5, 1981

TOUCHE ROSS & CO.  
Chartered Accountants









# RIVERSIDE YARNS LIMITED

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## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of RIVERSIDE YARNS LIMITED (hereinafter called the "Corporation") will be held on the Forty-first Floor, First Canadian Place, Toronto, Ontario, on Thursday, the 23rd day of April, 1981, at the hour of 11:00 o'clock in the forenoon (Eastern Standard Time) for the following purposes:

1. to receive the financial statements of the Corporation for the fiscal year ended January 2, 1981 together with the reports of the President and auditors thereon;
2. to elect directors;
3. to appoint auditors and authorize the board of directors to fix the remuneration of such auditors; and
4. to transact such further and other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED at Toronto this 27th day of March, 1981.

By order of the Board,

S.E. EDWARDS,  
Secretary

**NOTE:** If you are unable to be present personally at the meeting and are the holder of common shares without par value of the Corporation, please complete, date, sign and return the enclosed form of proxy in the envelope provided for that purpose.

INFORMATION CIRCULAR

The information contained in this circular is furnished in connection with the solicitation of proxies by or on behalf of the management of RIVERSIDE YARNS LIMITED (hereinafter called the "Corporation") for use at the annual meeting of shareholders of the Corporation (hereinafter called the "meeting") to be held at the office of Messrs. Fraser & Beatty on the Forty-first Floor, First Canadian Place, Toronto, Ontario, on Thursday, the 23rd day of April, 1981 at the hour of 11:00 o'clock in the forenoon (Eastern Standard Time) and at any adjournment or adjournments thereof for the purposes set forth in the accompanying notice of meeting. Solicitation of proxies will be primarily by mail but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The holders of common shares without par value (hereinafter called "Common Shares") of the Corporation will be entitled to vote at the meeting. Each holder of Common Shares of record at the close of business on April 21, 1981 is entitled to one vote for each such share held. As at the date hereof there are 593,750 Common Shares of the Corporation outstanding.

To the knowledge of the directors and senior officers of the Corporation no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares of the Corporation.

ELECTION OF DIRECTORS

The following are the names of the persons for whom it is intended that votes will be cast for their election as directors pursuant to the proxy which is hereby solicited: James Boeckh, Donald M. Deacon, Stanley E. Edwards, Abe Gold, William W. Laird, Edward Lawrence, Bruno J. Pateras and John G. Weir.

The term of office for each such person will be until the next annual meeting of shareholders or until his successor is elected or appointed. In the event that prior to the meeting any vacancies occur in the aforementioned nominees it is intended that discretionary authority shall be exercised to vote the proxy for the election of any other person or persons as directors.

INFORMATION CONCERNING NOMINEES AS DIRECTORS

Name and Present Principal Occupation	Year first became a Director	Approximate number of Common Shares of the Corporation beneficially owned, directly or indirectly or over which control or direction is exercised
James C. Boeckh, Company director	1976	12,000
Donald M. Deacon, Company director	1976	11,660



Name and Present Principal Occupation	Year first became a Director	Approximate number of Common Shares of the Corporation beneficially owned, directly or indirectly or over which control or direction is exercised
Stanley E. Edwards, Q.C. Partner, Fraser & Beatty, (Toronto Legal Firm)	1961	1,005(3)
Abe Gold, President, Marks & Spencer Canada Inc. (Retailer of family clothing)	1967	35(4)
William W. Laird, Q.C. Solicitor	1967	25,200(5)
Edward Lawrence, Company director	1975	500(6)
Bruno J. Pateras, Q.C. Partner, Pateras & Iezzoni (Montreal Legal Firm)	1978	2,500(7)
John G. Weir, Sales Executive, Wood Gundy Limited, (Investment Dealers and Stock Brokers)	1976	25,000

- Notes:
- (1) All nominees as directors have continuously served as directors of the Corporation from the years indicated.
  - (2) The directors of the Corporation have not established an Executive Committee but have established an Audit Committee composed of four directors, the current members of which are J.C. Boeckh (Chairman), W.W. Laird, E. Lawrence and J.G. Weir.
  - (3) Mr. Stanley Edwards is Secretary of the Corporation.
  - (4) Mr. Abe Gold is deemed by applicable legislation to own a further 45,281 Common Shares beneficially owned by Monitor Management Limited, a corporation which he controls.
  - (5) Mr. William Laird is Chairman of the Board of the Corporation.
  - (6) Mr. Edward Lawrence is deemed by applicable legislation to own a further 18,350 Common Shares beneficially owned by Clement Consulting Services Limited, a corporation which he controls. Mr. Lawrence is President of the Corporation.
  - (7) Mr. Bruno Pateras is deemed by applicable legislation to own 17,100 Common Shares beneficially owned by Bruno J. Pateras Holdings Inc., a corporation which he controls.

## **REMUNERATION OF DIRECTORS AND OFFICERS**

	From Office, Employment and Employer Contributions (Aggregate)	Nature of Remuneration	
		Cost Pension Benefits (Aggregate)	Other (Aggregate)
Directors (Total Number: 8)	\$ 34,500.00(2)	NIL	NIL
5 Senior Officers	\$171,813.00(3)	NIL	NIL
	<u>\$206,313.00</u>	<u>NIL</u>	<u>NIL</u>

Note: (1) The Corporation does not have any wholly-owned or partially-owned subsidiaries.

(2) This amount includes the payment made by the Corporation to Montor Management Limited referred to under the heading "Management and Consulting Agreements".

(3) This amount includes the payment made by the Corporation to Clement Consulting Services Limited referred to under the heading "Management and Consulting Agreements".

## **APPOINTMENT OF AUDITORS**

It is intended to vote the shares represented by the proxies hereby solicited to re-appoint the firm of Touche Ross & Co., the present auditors, as auditors of the Corporation to hold office until the next annual meeting of shareholders. Messrs. Touche Ross & Co. were first appointed auditors of the Corporation on June 29, 1978.

## **MANAGEMENT AND CONSULTING AGREEMENTS**

The Corporation is a party to an agreement with Montor Management Limited for three years commencing January 1, 1979 whereby Montor Management Limited is engaged to provide the consulting services of Mr. Abe Gold to the Corporation at an annual fee of \$30,000.00. Montor Management Limited was paid \$30,000.00 during the Corporation's fiscal period ended January 2, 1981 pursuant to such agreement.

Montor Management Limited, Suite 202, 99 Avenue Road, Toronto, Ontario is an Ontario corporation incorporated to provide management services and is controlled by Mr. Abe Gold, 5500 MacDonald Avenue, Montreal, Quebec.

The Corporation is a party to an agreement with Clement Consulting Services Limited for three years from January 1, 1979 whereby Clement Consulting Services Limited is engaged to provide the management and consulting services of Mr. Edward Lawrence to the Corporation for an annual fee of \$30,000.00. Clement Consulting Services Limited was paid \$30,000.00 during the Corporation's fiscal period ended January 2, 1981 pursuant to such agreement.



Clement Consulting Services Limited, Suite 719, 68 Yonge Street, Toronto, Ontario, is an Ontario corporation incorporated to provide management and consulting services and is controlled by Mr. Edward Lawrence, 400 Walmer Road, Apartment 804, Toronto, Ontario.

### **APPOINTMENT, REVOCATION AND VOTING OF PROXIES**

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY ACCOMPANYING THIS INFORMATION CIRCULAR. To exercise this right, the shareholder should either (i) insert the name of the desired person in the blank space provided in the form of proxy and strike out the other names, or (ii) submit another appropriate proxy and, in either case, send the proxy to the Secretary of the Corporation or deliver it to the chairman of the meeting at the meeting.

A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. Section 116(4) of The Business Corporations Act (Ontario) sets out a procedure for revoking proxies by the deposit of an instrument in writing at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof or with the chairman of the meeting on the day of the meeting.

The shares represented by the proxies hereby solicited will be voted. It is not, however, intended that the proxies hereby solicited will be used for the purpose of voting upon the financial statements of the Corporation as at January 2, 1981 or the reports of the auditors and President thereon.

The form of proxy confers discretionary authority with respect to amendments and variations to the matters identified in the notice of meeting and other matters which may properly come before the meeting. Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. HOWEVER, IF ANY SUCH MATTERS WHICH ARE NOT NOW KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE PROXIES WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON VOTING THE PROXY.

Dated March 27, 1981.

